

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 INT-05 L-03 OES-07 /106 W

-----056435 240503Z /16

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FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 3457

INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

USDOC WASHDC

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MANAMA FOR DODSON

E.O. 11652: N/A

TAGS: EIND BENC EALR MU

SUBJECT: INDUSTRIAL DEVELOPMENT IN OMAN

REF: (A) MUSCAT 1056 NOTAL, (B) MUSCAT 874 NOTAL

1. SUMMARY: WE REVIEWED OMANI PLANS FOR INDUSTRIAL DEVELOPMENT RECENTLY WITH COMMERCE MINISTER MOHAMMED ZUBAIR AND EXECUTIVE SECRETARY OF THE DEVELOPMENT COUNCIL SHARIF LOTFY. THEY NOTED THAT THE PACE OF INDUSTRIAL DEVELOPMENT IS QUICKENING AS OMAN STARTS RECEIVING EXTERNAL PROJECT ASSISTANCE. THE CEMENT PLANT AND THE COPPER PROJECT WILL BE STARTED SOON, WHILE THE PLANNED REROLLING MILL AND REFINERY WILL TAKE LONGER. COMMERCE MINISTER ZUBAIR STRESSED THE IMPORTANCE OF PROSPECTIVE BIDDERS HAVING A LOCAL LIMITED OFFICIAL USE

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REPRESENTATIVE TO PUSH THEIR CASE WITH THE APPROPRIATE OMANGOV AGENCIES AND HINTED THAT THE LACK OF SUCH AGENTS WOULD PREVENT EVEN WELL-QUALIFIED AMERICAN FIRMS FROM WINNING CONTRACTS. END SUMMARY.

2. ACCORDING TO LOTFY, THE RECENTLY FUNDED COPPER PROJECT IN SOHAR (REF A) WILL BE A JOINT VENTURE BETWEEN THE OMANGOV

(51 PERCENT) AND PRIVATE FOREIGN FIRMS (49 PERCENT). LOTFY TOLD US THAT WHILE PROSPECTION LIMITED AND MARSHALL (OMAN), WHICH ARE PERFORMING THE EXPLORATION OF THE COPPER CONCESSION, ARE THE PROBABLE PRIVATE PARTNERS, OTHER FOREIGN MINING COMPANIES MAY BE INVITED IF PROSPECTION/MARSHALL DO NOT SUPPLY SUFFICIENT CAPITAL.

3. A JOINT KUWAITI-OMANI COMPANY TO MANAGE THE CEMENT PROJECT IS NOW BEING FORMED. WITHIN A FEW MONTHS, THE NEW COMPANY WILL CHOOSE A FOREIGN CONTRACTOR TO BUILD THE PLANT AND RUN IT AFTER COMPLETION. ZUBAIR TOLD US THAT ONE AMERICAN FIRM, THE FULLER COMPANY, WAS ON THE LIST OF 10 FIRMS FOR FINAL SELECTION.

4. THE HARBOR AND HEAVY INDUSTRIAL ZONE PLANNED FOR RAS SUWAIDI (NORTH SEEB NEAR BARKA) HAS BEEN CANCELLED ON THE GROUNDS THAT DREDGING THE HARBOR WOULD BE TOO EXPENSIVE. INSTEAD, A STEEL REROLLING MILL AND OTHER LARGE PROJECTS WILL BE LOCATED AT THE RUSAYL INDUSTRIAL ZONE. THE OMANGOV HAS MADE A DEFINITE DECISION TO PROCEED WITH THE REROLLING MILL, AND A CHOICE WILL SOON BE MADE BETWEEN GERMAN, BRITISH AND JAPANESE BIDDERS.

5. THE REFINERY PROJECT WILL BE POSTPONED AGAIN UNTIL A FEASIBILITY STUDY BY SHELL IS COMPLETED. OMANGOV INDECISION WHETHER TO BUILD A REFINERY OR A SIMPLER TOPPING LIMITED OFFICIAL USE

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PLANT TO SEPARATE DIESEL FROM CRUDE WAS NOT AIDED BY THE POOR QUALITY OF CONSULTING REPORTS PRESENTED TO THE COMMERCE AND PETROLEUM MINISTRIES. A VISIT BY REPRESENTATIVES OF THE KUWAIT OIL COMPANY CONVINCED THE OMANIS THAT THEIR MORE AMBITIOUS PLANS WERE UNECONOMIC, AND ZUBAIR TOLD US THAT THE REFINERY AS NOW ENVISAGED WILL PRODUCE NO MORE THAN 30,000-40,000 BARRELS A DAY.

6. THE ACCELERATED PACE OF DHOFAR DEVELOPMENT WILL MAKE SOME LIGHT INDUSTRY FEASIBLE THERE. MOHAMMED ZUBAIR INFORMED US THAT A SOAP FACTORY AND A CATTLE FEED FACILITY ARE NOW PLANNED FOR SALALAH. THIS WOULD REPRESENT THE FIRST INDUSTRY EVER ESTABLISHED IN DHOFAR.

7. COMMENT: AMERICAN FIRMS WHICH ARE NOT REPRESENTED IN OMAN WILL HAVE PROBLEMS IN WINNING THESE CONTRACTS. ZUBAIR MENTIONED THAT HE LOOKED FAVORABLY UPON FULLER COMPANY'S BID FOR THE CEMENT PROJECT, BUT THE COMMERCE MINISTRY WAS PHYSICALLY UNABLE TO REPLY TO THE HUNDREDS OF LETTERS AND TELEGRAMS FROM PROSPECTIVE BIDDERS, AND A LOCAL AGENT WOULD BE HELPFUL IN SUPPORTING FULLER'S INTEREST. HE ALSO STRESSED THAT FULLER WOULD REQUIRE A

LOCAL AGENT IF IT WON THE CONTRACT. OTHER LEADING OMANI  
OFFICIALS HAVE ALSO EMPHASIZED THE NECESSITY TO HAVE  
LOCAL REPRESENTATION.  
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## Message Attributes

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**Reference:** 77 MUSCAT 1056, 77 MUSCAT 874  
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**Review Markings:**  
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